

**CALCULATING FINANCE CHARGES:  
AVERAGE DAILY BALANCE METHOD- part 2**

1. What were the 3 methods we have learned so far to calculate Finance Charges?

- ① previous bal. method
- ② unpaid bal. method
- ③ avg. daily bal method (no new purch.)

2. How did we actually calculate the finance charge for each of these methods?

name x rate

3. New Method is called:

④ Aug. Daily Bal method (include purch.)

4. How do we calculate the finance charge for this method?

avg. daily bal x rate

5. How do we calculate the Average Daily balance?

\* Use chart

6. What do we **include** in our calculation of the average daily balance this time?

include new purch.

Average Daily Balance=

Dates	Balance		Total Days		Multiplication
1/1 - 1/4	95.67	x	4	=	382.68
1/5 - 1/5	131.45	x	1	=	131.45
1/6 - 1/9	163.33	x	4	=	653.32
1/10 - 1/12	103.33	x	3	=	309.99
1/13 - 1/18	128.33	x	6	=	769.98
1/19 - 1/21	384.83	x	3	=	1154.49
1/22 - 1/28	359.83	x	7	=	2518.81
1/29 - 1/31	259.83	x	3	=	779.49
		x		=	

TOTAL: 31 \$6700.21

$$\text{Average Daily Bal} = \frac{6700.21}{31} = \boxed{216.14}$$

$$\text{Finance Change} = 216.14 \times 0.0850 = \boxed{\$18.37}$$